

AGAPE HOUSE, INC.  
WAL WORTH, WISCONSIN  
AUDITED FINANCIAL STATEMENTS  
AUGUST 31, 2021

AGAPE HOUSE, INC.  
WALWORTH, WISCONSIN

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# Chamberlain | Otte

CERTIFIED PUBLIC ACCOUNTANTS, LLP

## INDEPENDENT AUDITOR'S REPORT

To Management and Board of Directors  
Agape House, Inc.

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of Agape House, Inc., which comprise the statement of financial position as of August 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Agape House, Inc. as of August 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Agape House, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Agape House, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Agape House, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Agape House, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*Chamberlain | Otte, CPAs, LLP*

CHAMBERLAIN | OTTE, CPAs, LLP  
Lake Geneva, Wisconsin

February 18, 2022

## FINANCIAL STATEMENTS

AGAPE HOUSE, INC.  
STATEMENT OF FINANCIAL POSITION  
August 31, 2021

ASSETS	
Current assets	
Cash and cash equivalents	\$ 109,483
Accounts receivable	<u>17,376</u>
Total current assets	<u>126,859</u>
Fixed Assets	
Property and equipment, net of accumulated depreciation of \$370,716	<u>1,046,605</u>
Other Asset	
Prepaid - Unemployment Reimbursement Account	<u>10,000</u>
TOTAL ASSETS	\$ <u>1,183,464</u>
LIABILITIES AND NET ASSETS	
LIABILITIES	
Current liabilities	
Accounts payable	\$ 15,142
Credit card payable	9,099
Payroll liabilities	834
Current portion of long term debt	<u>4,310</u>
Total current liabilities	29,385
Long term debt	<u>32,795</u>
TOTAL LIABILITIES	<u>62,180</u>
NET ASSETS	
Without donor restrictions:	
Board Designated	90,043
Unrestricted and Undesignated	<u>1,031,241</u>
TOTAL NET ASSETS	<u>1,121,284</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>1,183,464</u>

AGAPE HOUSE, INC.  
 STATEMENT OF ACTIVITIES  
 For the Year Ended August 31, 2021

WITHOUT DONOR RESTRICTION

SUPPORT AND REVENUE

Support:

Donations and grants	\$ 532,930
Fundraising income	27,648
Miscellaneous income	<u>68,605</u>

TOTAL SUPPORT 629,183

Revenue:

Program income	<u>121,871</u>
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TOTAL SUPPORT AND REVENUE 751,054

EXPENSES

Program expenses	561,814
General supporting expenses	42,765
Fundraising expenses	<u>24,485</u>

TOTAL EXPENSES 629,064

INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTION 121,990

NET ASSETS AT BEGINNING OF YEAR 999,294

NET ASSETS AT END OF YEAR \$ 1,121,284

See Accompanying Notes to Financial Statements

AGAPE HOUSE, INC.  
 STATEMENT OF FUNCTIONAL EXPENSES  
 For the Year Ended August 31, 2021

	Program Services	Management and General	Fundraising	Total
Wages	\$ 363,417	\$ -	\$ -	\$ 363,417
Payroll taxes	40,510	-	-	40,510
Total wages and related expenses	403,927	-	-	403,927
Utilities	30,880	-	-	30,880
Home costs	30,748	-	-	30,748
Depreciation	27,276	3,031	-	30,307
Fundraising	-	-	24,485	24,485
Education and enrichment	21,384	-	-	21,384
Computer expenses	-	13,236	-	13,236
Insurance	-	10,164	-	10,164
Program supplies	9,341	-	-	9,341
Auto expense	8,790	-	-	8,790
Healthcare	8,684	-	-	8,684
Food	7,702	-	-	7,702
Telephone	6,577	-	-	6,577
Miscellaneous expense	4,482	-	-	4,482
Volunteer and donor recognition	-	4,280	-	4,280
Legal and accounting	-	4,018	-	4,018
Office supplies	-	3,752	-	3,752
Interest expense	2,023	-	-	2,023
Bank charges	-	1,158	-	1,158
Postage	-	1,140	-	1,140
Dues and fees	-	1,029	-	1,029
Printing	-	957	-	957
Total expenses	\$ 561,814	\$ 42,765	\$ 24,485	\$ 629,064

See Accompanying Notes to Financial Statements



AGAPE HOUSE, INC.  
STATEMENT OF CASH FLOWS  
For the Year Ended August 31, 2021

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Increase (decrease) in net assets	\$ 121,990
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	30,307
(Increase) decrease in operating liabilities	
Accounts receivable	7,669
Employee loan	1,250
Increase (decrease) in operating liabilities	
Accounts payable	(536)
Credit card payable	2,375
Payroll liabilities	178
	<u>163,233</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>163,233</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Capital asset purchases	<u>(80,022)</u>
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>(80,022)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Debt reductions	<u>(68,163)</u>
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<u>(68,163)</u>
<b>NET INCREASE (DECREASE) BY CASH AND CASH EQUIVALENTS</b>	15,048
<b>BEGINNING CASH AND CASH EQUIVALENTS</b>	<u>94,435</u>
<b>ENDING CASH AND CASH EQUIVALENTS</b>	<u><u>\$ 109,483</u></u>
Cash paid during the year for interest	<u><u>\$ 2,023</u></u>

## NOTES TO FINANCIAL STATEMENTS

**NOTE 1 – NATURE OF ORGANIZATION**

Agape House, Inc. was organized December 23, 1998 as a nonprofit organization in the State of Wisconsin. The Organization is grace-based Christian ministry dedicated to providing a stable, loving, and Christ-centered place for hurting teens to come to know God, to receive His healing, and to walk in His will. Through a variety of non-denominational ministry services and activities, troubled teens will come to know Christ personally and find hope in all aspects of their lives, so they may become healthy, responsible, productive adults. A talented team of professional staff and gifted volunteers administer programs that provide an opportunity for teens and young adults in need to heal and grow in a safe, nurturing environment. The Agape House philosophy “No Child Left Behind” means that those who are in need will never be turned away because of an inability to pay. Continuous outreach for funding will sustain Agape House programs which are solely dependent on tuition and the generosity of its donors. The experience at Agape House is designed to help their clients achieve one or more of these goals:

- Build healthy self-esteem and relationships
- Experience emotional or spiritual healing
- Accept authority
- Build strong families of their own someday
- Live independently
- Fulfill their academic or vocational potential
- Grow to become Godly men and women

Agape House has different programs to offer teens of all ages and circumstances. Agape House offers hope and healing to abused or distressed teens ages 12 through 28 through four ministry programs. Programs offered include Christian counseling, mentoring, school and a safe home.

**Counseling Centers**

The Agape Counseling Centers in Walworth and Mukwonago, Wisconsin are branches of Agape House ministry offering grace-based, New Covenant Biblical counseling. The Walworth location provides parenting classes and support groups to encourage parents and guardians in the development of a loving home. The Mukwonago location was added to offer counseling and prayer to individuals, couples, youth and families in the immediate area and surrounding communities, including Waukesha and Milwaukee Counties.

**Agape Home**

The Agape ministry offers supportive homes for boys and girls in distress to heal and grow. Up to 8 boys, ages 12 through 16, and 16 girls, ages 12 through 18, are able to live in a home setting, complete with loving house staff. Agape House is not a permanent home as the goal of the ministry is to place residents back with their own family or into a safe environment that best approximates a true family. The TLH (Transitional Living Home) is a home for young women ages 18 and older who need help transitioning into adulthood and independent living.

AGAPE HOUSE, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
AUGUST 31, 2021

**NOTE 1 – NATURE OF ORGANIZATION, continued**

**Agape Home, continued**

The center offers housing, counseling, mentoring, and staff to help young women from Agape House, foster care, or the community, achieve goals to become healthy and independent.

**Agape School**

Agape School provides Christian-based education for at-risk and gifted students; they receive personal attention customized to specific academic levels. A supportive atmosphere with trained, professional staff meets behavioral, emotional and spiritual needs.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Public Support and Revenue**

Contributions are generally available for unrestricted use in the current year unless specifically restricted by the donor.

Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Cash and Cash Equivalents**

For purposes of the statements of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**Income Taxes**

The Organization is a non-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Unrelated business income is taxable by both the Federal and State governments. For the current year, the organization did not have any unrelated business taxable income.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**Accounting for Uncertainty in Income Taxes**

The Organization has adopted *Accounting for Uncertainty in Income Taxes*, ASC 740-10. The Organization's policy is to evaluate, at least annually, the potential for income tax exposure. Any exposure from such positions is recorded based on the largest cost that has a greater than 50% likelihood of being incurred upon ultimate settlement. The adoption of ASC 740-10 did not have a material effect on its financial position, results of operations or cash flows. The Organization is no longer subject to examination by federal income tax authorities for periods before 2018 and state income tax authorities for periods before 2017.

**Net Assets**

Net assets have been recorded and reported as changes in net assets without donor restriction.

Without donor restriction – Unrestricted net assets consist of resources that are available for use in carrying out the mission of the Organization and include those expendable resources that have been designated for special purpose by the Board.

**Contributed Services**

A substantial number of unpaid volunteers have made significant contributions of their time in the furtherance of the Organization's activities. Such services do not meet the criteria for recognition as contributions; therefore, their value is not reflected in the accompanying financial statements.

Contributed services are reported as contributions if such services create or enhance non-financial assets or if they would have been purchased if not provided by contribution, require specialized skills, and are provided by individuals possessing such specialized skills. Contributed services are recognized at their estimated fair values at date of receipt with an equal and offsetting amount in unrestricted functional expenses in the statement of activities, resulting in no net impact on the change in net assets during the year. There were no contributed services recognized for the year ended August 31, 2021.

**Property and Equipment**

The Agape House, Inc. capitalizes all asset acquisitions over \$500 per unit cost and a useful life over one year. Depreciation is provided, using the straight-line method over the estimated useful life of the related asset. The following useful lives are used in determining depreciation:

	<u>Estimated Useful Life</u>
Building and improvements	15-39 years
Furniture and Equipment	5-7 years
Automobiles	5 years

AGAPE HOUSE, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
AUGUST 31, 2021

**NOTE 3 – CASH AND CASH EQUIVALENTS**

Custodial credit risk is the risk that in the event of a bank failure, the Organization's deposits may not be returned. Deposits in each bank are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 for the combined amounts of all time, savings accounts (including NOW accounts), and all non-interest-bearing demand deposit accounts.

At year-end, the carrying amount of the Organization's deposits was \$109,233 and the bank balance was \$110,706. All of the bank balance was covered by federal depository insurance.

**NOTE 4 – PROPERTY AND EQUIPMENT**

At August 31, 2021, the cost and accumulated depreciation of property and equipment was:

Land	\$175,885
Building – 215 South Main Street	458,032
Building – 215 South Main Street Improvements	229,896
Building – 230 South Main Street	127,738
Building – 230 South Main Street Improvements	16,623
Building – 119 Phillips	122,500
Equipment	7,313
Furniture	8,518
Automobile	45,500
Construction in Progress	155,316
Total	1,347,321
Less: Accumulated depreciation	(300,716)
Net Property and Equipment	<u>\$1,046,605</u>

Depreciation expense was \$30,307 for the year ended August 31, 2021.

**NOTE 5 – SHORT-TERM DEBT**

The company received an unsecured SBA PPP loan through First National Bank & Trust in the amount of \$64,089 with interest at 1%, maturing in April 2022. The applicable criteria were met for forgiveness, so this loan has been forgiven in full. Full forgiveness of this loan was granted in February 2021.

	Balance 9/1/2020	Additions	Reductions	Balance 8/31/2021
First National Bank & Trust	\$64,089	\$ --	(\$64,089)	\$ --

AGAPE HOUSE, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
AUGUST 31, 2021

**NOTE 6 – LONG-TERM DEBT**

Long-term debt consists of the following:

	<u>Balance</u> <u>9/1/2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>8/31/2021</u>
First National Bank & Trust	<u>\$41,178</u>	<u>\$ --</u>	<u>(\$4,074)</u>	<u>\$37,105</u>
<u>2021</u>				
First National Bank & Trust, Walworth, WI Due December 2029, with interest at 5%, collateralized by Building and Land.				<u>\$37,105</u>
Less: Current Portion				<u>(4,310)</u>
Long-Term Debt				<u>\$32,795</u>

Maturities of long-term debt are as follows:

<u>Year Ending</u> <u>August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$4,310	\$1,757	\$6,067
2023	4,530	1,537	6,067
2024	4,762	1,305	6,067
2025	5,006	1,061	6,067
2026	5,262	805	6,067
2027	<u>13,235</u>	<u>808</u>	<u>14,043</u>
Totals	<u>\$37,105</u>	<u>\$7,273</u>	<u>\$44,378</u>

Interest expense for the year ended August 31, 2021 was \$2,023.

**NOTE 7 – DESIGNATED NET ASSETS**

The Board of Directors has designated certain unrestricted net assets for website improvements, repairs, equipment, and other major purchases. The balance of designated net assets as of August 31, 2021 was \$90,043.

AGAPE HOUSE, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
AUGUST 31, 2021

**NOTE 8 – INSURANCE RISK MANAGEMENT**

The Organization is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the Organization carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

**NOTE 9 – DATE OF MANAGEMENT'S REVIEW**

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through February 18, 2022, the date that the financial statements were available to be issued.